



Indiana State Budget Agency

Financial Management Circular: #2011-1

Effective Date: January 25, 2011

General Subject: Statewide Cost Allocation Plan (SWCAP)

Specific Subject: Process for recovering Dedicated and Federal funds for SWCAP expenses

Authority: IC 4-12-1-13(h)

Application: This Circular applies to all instrumentalities (hereafter referred to as "State agencies") of the Executive Branch, including all bodies corporate and politic, excluding only state educational institutions (as defined in IC 20-12-0.5-1).

Section 1: Background – The State Budget Agency annually prepares the "State-Wide Cost Allocation Plan" which accumulates the General Fund's state-wide central service costs, allocating them across all State agencies in accordance with Federal Cost Principles (OMB Circular A-87). The non-General Fund share (Federal and Dedicated funding sources) of the state-wide indirect costs are recovered by the State Budget Agency to reimburse the State's General Fund for expenses incurred by state-wide central service agencies.

Section 2: Purpose – To appropriately allocate expenditures incurred by state-wide central service agencies to Federal grants and Dedicated funding sources, and to outline the process necessary to ensure that recoveries are used to properly reimburse the General Fund.

Section 3: Eligible and Exempt Funds – If an agency receives Federal or Dedicated funds, either directly or as pass-through from other State agencies, it shall use the Proposed Costs from the Summary of Allocated Costs ("Proposed Costs") of that fiscal year's SWCAP as indirect cost recovery owed the State. The Proposed Costs should be allocated to Federal and Dedicated funding sources using the agency's federally approved Cost Allocation Plan. If Federal funds are not administered, then some other agency-developed allocation methodology should be used.

If the Proposed Cost number is negative, it may be used to offset future costs. Approval to use this offset must be obtained from the Controller of the State Budget Agency. If an agency administers only General Fund programs and it receives no Federal or Dedicated funds, neither directly or as a "pass-through", it is exempt from cost recovery.

An eligible agency may request an exemption from Indirect Cost recovery on a program. An agency shall submit exemption requests in writing to the Controller of the State Budget Agency. All exemption approvals will be made in writing. The following are examples of possible exemptions from Indirect Cost recovery:

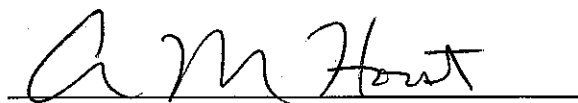
- Recovery of administrative indirect costs is prohibited by federal law/regulation (please cite authority).
- Federal or Dedicated funds pass-through the agency and the agency incurs no administrative costs.
- The indirect cost recovery contributes towards the program's mandatory State match requirement for which other funds are not available.
- The recovery of indirect costs will decrease program effectiveness.

Section 4: Process- In order to accurately and appropriately reimburse the General Fund for SWCAP expenses, please adhere to the following process:

- For Federal funds, debit Federal funds to be charged using account 759900 and credit Fund 10520, Account 749900, Program 10000, Department 051000.
- For Dedicated funds, debit funds to be charged using account 759910 and credit Fund 10520, Account 749910, Program 10000, Department 051000.
- When federal revenue is drawn to reimburse these costs, credit Account 446000.
- In the Long Description of the Journal Header, indicate that the reason for the journal entry is SWCAP and indicate the program period to be charged.
- If an agency is funded entirely by Federal or Dedicated sources, divide proposed costs by four and process quarterly journal entries.
- If an agency has a mixture of funding sources, the proposed costs should be allocated, either through an agency's internal, federally approved Cost Allocation Plan (CAP) or through a direct allocation formula. The proposed cost or its allocation should be processed through a GL Journal Entry in ENCOMPASS and routed to the Budget Agency on a quarterly basis.

As part of GL workflow, the journal entry will be routed to the State Budget Agency's accounting department for approval.

Approved:



Adam M. Horst
Director, State Budget Agency

Date: 1/25/11